



## STAFF REPORT ACTION REQUIRED

### 2010 Per Diem Rates for the Purchase of Service Shelter System and Results of the Review of the Per Diem Funding Model.

<b>Date:</b>	October 23, 2009
<b>To:</b>	Community Development and Recreation Committee
<b>From:</b>	General Manager, Shelter, Support and Housing Administration
<b>Wards:</b>	All
<b>Reference Number:</b>	

#### SUMMARY

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This report provides recommendations on the 2010 Per Diem rates for the purchase of service shelter system and funding levels for other operating contracts. It also includes recommendations for changes to the existing per diem funding model, based on the findings from the Hostel Services Funding Model Review.

#### RECOMMENDATIONS

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The General Manager, Shelter, Support and Housing Administration, recommends that:

1. Council approve the recommended per diem rates, bed capacities and Personal Needs Allowance rates for the shelter system as set out in Appendix A subject to the approval of the 2010 Operating Budget;
2. the General Manager, Shelter, Support and Housing Administration, and/or his designate be authorized to:
  - a. enter into purchase of service agreements with community agencies and motel operators for the provision of shelter services and the issuance of Personal Needs Allowance, up to the maximum contract values as outlined in Appendix A, subject to the approval of the 2010 Operating Budget;
  - b. contract with and issue payments of up to \$8.676 million(gross)/\$1.737 million (net) to Mental Health Program Services of Metropolitan Toronto

(Habitat Services) for the provision of housing and supports for psychiatric consumer survivors living in Habitat contracted boarding or rooming houses subject to the approval of the 2010 Operating Budget;

- c. contract with and issue payments to the Toronto Hostels Training Centre for the administration and provision of training for shelter staff up to a maximum amount of \$0.198 million (gross)/\$0.099 million (net) subject to the approval of the 2010 Operating Budget;
  - d. purchase up to \$42,000 (gross and net) in training for staff of the directly operated shelters from the Toronto Hostel Training Centre in order to meet the training requirements laid out in the Council approved Toronto Shelter Standards, subject to the approval of the 2010 Operating Budget;
  - e. pilot a system of advance quarterly per diem payments to shelter operators; and
  - f. pilot multi-year contracts with shelter providers in a form acceptable to the City Solicitor and Director, Internal Audit, that will reduce the administrative burden on agencies while maintaining accountability to the City; and
3. Council approve the recommendations arising from the Per Diem Funding Model Review, including consultations with community agencies, as outlined in Appendix I, and instruct that these recommendations be forwarded to the Minister of Community and Social Services, the Minister of Municipal Affairs and Housing and the Minister of Health and Long Term Care for consideration.

### **Financial Impact**

The summary of the Financial Impact from approving the service agreements outlined in this report are noted in the following table:

Funding for the per diem and Personal Needs Allowance (PNA) payments for purchase of service shelters, motels, and payments to Habitat Services and the Toronto Hostels Training Centre are included in the proposed 2010 Operating Budget for Shelter, Support and Housing Administration.

Contract (\$000s)	2009 Approved Budget		2010 Budget Submission		Increase/ (Decrease)	
	Gross	Net	Gross	Net	Gross	Net
Purchase of Service Shelter Provider Contracts	47.956	16.842	48.474	16.643	0.518	(0.199)
Personal Needs Allowances	1.911	0.382	1.961	0.392	0.050	0.010
Habitat Mental Health Program Services of Metropolitan Toronto (Habitat Services)	8.676	1.737	8.676	1.737	0.000	0.000
Toronto Hostels Training Centre	0.198	0.099	0.198	0.099	0.000	0.000
City of Toronto Shelter Training Needs	0.042	0.042	0.042	0.042	0.000	0.000
Motel Contracts	1.172	0.000	1.341	0.000	0.169	0.000
<b>TOTAL</b>	59.955	19.102	60.692	18.913	0.737	(0.189)

As per the table above, the proposed 2010 Operating Budget includes \$60.692 million (gross), \$18.913 million (net), for these various contracts. Adopting the recommendations in this report would increase the gross and lower the net budget, incrementally from the 2009 Approved Base Budget, by \$0.737 million and \$(0.189) million, respectively. The increased pressure from the contract changes is partially offset by the increase in the provincial subsidy.

As in 2009, the Provincial government has increased its capped per diem rate by 2%. As well, 2010 will be the first year of the Provincial upload of the municipal share (20%) of Ontario Works financial assistance and employment assistance. In 2010, 3% of the City's 20% cost share will be uploaded to the Province. The new Provincial per diem rate for 2010 will be \$42.50 (80.6% capped rate is \$34.26) up from \$41.60 (80% capped rate is \$33.25).

The 2% increase in the capped subsidy from the Province will increase the per diem by \$0.90. This represents an increase of \$0.836 million available to the Purchase of Service Shelter (POS) system. The City will retain 38% of this increase or \$0.318 million to help realign the City's percentage of contribution. The Provincial contribution for the POS system goes from \$31.1 million in 2009 to \$31.8 million in 2010.

There is an expected decrease in bed nights for Purchase of Services shelters from 935,735 in 2009 to 929,125 in 2010. This decrease of 6,610 bed nights (0.7%) is due to uploading of VAW beds by the Province, bed capacity reductions, and increased efforts

to assist people to access housing. As in past years, the Division is re-investing the available funding from the reduced service volumes to allow for some sector adjustments to increase the per diems of shelters that remain below the average per diem for the sector. The overall bed volume and per diem rate changes for the purchase of service system create a net \$0.199 million reduction for 2010.

The 2010 Operating Budget Submission also includes up to 8.676 million (gross)/\$1.737 million (net), for Habitat Services. To date, no increases to the per diem rate have been confirmed by the Ministry of Health and Long-Term Care for 2010.

Funding for the motel program of \$1.341 million gross, with no net incremental impact, is also recommended.

Shelter, Support and Housing Administration operates within its funding authorities up to the approved Operating Budget. In the event that occupancy levels exceed the 2010 approved budget, Shelter, Support and Housing Administration would report out to Community Development and Recreation Committee and to Budget Committee and seek to mitigate cost pressures within the overall divisional envelope. Additionally, in the event that occupancy levels go below the 2010 approved budget, Shelter, Support and Housing Administration will re-distribute any unallocated savings directly to shelter providers in the form of per diem adjustments up to the maximum 2010 approved Operating Budget.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## **DECISION HISTORY**

Shelter, Support, and Housing Administration reports annually on the recommended per diem rates and bed capacities. The 2009 report also includes preliminary results of the per diem funding review. A copy of the 2009 report can be found at:

<http://www.toronto.ca/legdocs/mmis/2008/cd/bgrd/backgroundfile-17250.pdf>

On August 5 and 6, 2009, Council approved the Housing Opportunities Toronto Affordable Housing Action Plan 2010-2020. The HOT plan includes actions related to shelter per diem funding.

The recommended City action items include:

- “Working with the Province to establish a permanent program using flexible shelter per diem funding to provide shelter clients with housing supports in the community similar to the Hostels to Homes pilot. (Recommendation 5 b), and
- “Working with the Province to implement a new funding model for shelters that supports a Housing First approach.” (Recommendation 5 c).

The requests to the Provincial government include:

- “Implement a new funding model for shelters which supports a Housing First approach and provides flexibility in the use of shelter funding to establish a permanent program to provide shelter clients with housing supports in the community, similar to the Hostels to Homes pilot” (Recommendation 14).

A copy of the Housing Opportunity Toronto plan can be found at:  
[http://www.toronto.ca/affordablehousing/pdf/hot\\_actionplan.pdf](http://www.toronto.ca/affordablehousing/pdf/hot_actionplan.pdf)

## **ISSUE BACKGROUND**

Hostel Services of the Shelter, Support and Housing Administration Division is the Consolidated Municipal Service Manager responsible for shelter development, program delivery and system oversight. The Ontario Works Act outlines the authority for municipalities to operate shelters or to purchase service from community agencies to provide shelter services and personal needs allowances. The Provincial revenue funding formula is an occupancy driven model which pays shelters on a per diem basis for beds occupied by homeless individuals, families and children.

Council has made numerous recommendations to urge the Province to change the funding model and increase the per diem rate. The current rate does not adequately fund the costs of providing emergency shelters in the City of Toronto nor does it fund the services required to assist homeless individuals to find and keep housing. In the 2010 proposed operating budget for Purchase of Service shelters the average per diem rate is \$52.13, of which the Province pays \$34.26. Although the Province has put a process in place to upload the municipality’s share of the per diem, full cost upload will not take place until 2018. For 2010, the Provincial/ Municipal cost share should be 80.6/19.4, however based on the 2010 proposed average per diem rate, the cost share is now 65.7/34.3. Since the subsidy remains capped, the City will continue to fund the Provincial shortfall. The projected system wide shortfall for 2009 is \$31.4 million. In addition, previous calculations by City staff show that the per diem rate does not even cover the basic room and board costs, as identified in the Ontario Works Act.

## **COMMENTS**

As of November 2009, there are 57 shelter facilities in the City of Toronto. The shelter system is a mixed service delivery model. The City directly operates 9 shelters, the Assessment and Referral Centre, and Central Family Intake. There are an additional 48 shelter sites operated by 30 community not-for-profit agencies funded through purchase of service contracts with the City. All programs must meet the operating requirements as set out in the Toronto Shelter Standards and the purchase of service operating agreements and are evaluated using a Quality Assurance review process. In addition the City has the ability to provide emergency shelter to families through the use of motel beds.

Appendix B - Shelter Profile Information, provides information on each agency and their contracted services.

#### Occupancy Information:

Shelters provide emergency shelter, food, board, lodging and specialized counselling and support services for thousands of people annually. In 2009 there are on average approximately 3,800 permanent beds available nightly in the regular shelter system for single adults, youth, and families with children. On average, there are also 405 beds in the motel program used to provide emergency shelter to families.

The 2009 average occupancy rate from January 1<sup>st</sup>, 2009 –October 4<sup>th</sup>, 2009 for single adult and youth shelters is 94 per cent. There are in addition an average of 1,157 persons, including children, in the family shelters on a nightly basis. Appendix C provides a chart showing the average occupancy trends in 2008 and 2009 year to date.

Appendix D charts the total number of different people who stayed in the shelter system between 2000 and 2008 on an annual basis. Over this eight year period the peak use was in 2001 when 31,175 different people used the shelter system. The total number of different people using the shelter system in 2008 was 27,256. This represents an increase from last year when 24,868 different people used the shelter system.

### 1. **Purchase of Service Rates and Bed Capacities**

#### a. 2010 Recommended Per Diem Rates, Bed Capacities and Personal Needs Allowances

The 2010 recommended per diem rates, bed capacities, personal needs allowances, and detailed information for each shelter are included in Appendix A. The implementation of these rates is subject to the approval of the 2010 Shelter, Support and Housing Administration Operating Budget. As in previous years, the City applies increases/sector adjustments in per diem rates using the pre-established Council reported criteria as outlined in Appendix E. It should be noted that the majority of the 2010 recommended per diem rates provide agencies an increase that represents a portion of the increased Provincial per diem.

Appendix F provides comparative operating budget information between 2009 and 2010 on a system and sector basis.

#### b. Information on In-Year Adjustments to Per Diem Rates

Changes to the Council approved per diem rates and bed capacities are considered in-year adjustments. These adjustments can occur for a number of reasons including a change in service provision, an urgent financial situation that requires an increase to the per diem rate, and/or a need for

additional beds to meet occupancy demand. Hostel Services has an established business practice that appropriately records and accounts for any in-year per-diem adjustments. Any change in the operating agreement must be approved by the appropriate signing authorities and Hostel Services reports out annually to Council on any required in-year adjustments. In 2009, adjustments were made to six contracts. Appendix G – 2009 In-year Adjustments Report provides the detail on each of these adjustments.

c. Other Service Contracts - Motels, Toronto Hostels Training Centre and Habitat Services

This report seeks authorization to enter into funding contracts with Habitat Services, the Toronto Hostels Training Centre and the City's Motel Program, subject to the approval of the 2010 Operating Budget. Appendix H– Other Annual Services Contracts provides detailed information on these programs.

Habitat Services is a housing and support subsidy program that is funded by the Ministry of Health and Long-term Care and the City of Toronto. On an annual basis the program provides a housing subsidy for up to 931 units of private and not-for-profit boarding homes and rooming houses for people with psychiatric illnesses.

So far in 2009, 2,259 shelter, drop in and other agency staff received training and certificates through the Toronto Hostels Training Centre. The Centre offers over 120 different training courses and six certificate programs that support agencies in meeting the Toronto Shelter Standards and allow staff to develop skills related to the provision of services to homeless individuals.

The City of Toronto contracts with motels to provide spaces for families when the regular permanent shelter system for families is at or near capacity. The motel program is administered through two directly operated shelters, Family Residence and Birkdale Residence. The use of motels allows the City the flexibility to respond quickly to changes in demand within the family shelter sector. On an average night in 2009, 405 people are being provided shelter using the motel program.

## 2. Funding Model Review

a. Background

As reported out last year, Hostel Services initiated a process to review the per diem funding model. This was in response to long standing issues with

the Provincial/ Municipal cost shared funding model which have been noted earlier in this report.

b. Consultation Process and Feedback

As part of the process, Hostel Services initiated a consultation process with all shelter providers in order to solicit their opinions on the recommended options for the funding model. As directed by Council, these consultations have included a discussion of shelter services in relation to the City's commitment to ending homelessness through a Housing First approach.

Hostel Services met with the Board of Directors and senior management staff of 20 agencies representing 34 shelter sites. As well, Hostel Services met with the Executive from the Ontario Association of Hostels Toronto Chapter and received correspondence from the Youth Shelter Interagency Network.

Feedback from the meetings and correspondence indicates that there will not be one funding model that is preferred by all agencies. The variation in shelter sizes, the complexity of the shelter services provided and the fact that some shelters are operated by single service agencies and others by multi-service agencies does not lend itself to one simple solution. However, the key findings that almost all agencies agree on include:

- Eliminating the per diem system and replacing it with a form of annualized funding that is paid out quarterly or semi annually and reconciled at year end.
- Creating contracts that set out services to be delivered with some form of performance standards that will allow the City to address service quality in the context of annualized payments.
- Establishing multi year contracts/ operating agreements that will reduce the paperwork required for agencies who are meeting performance and quality assurance standards but that still recognize the City's requirement to set per diem rates annually.
- For Multi- Service Agencies- Developing an integrated funding stream that flows all Shelter, Support and Housing Administration funding under a single contract.

c. Recommendations regarding the Provincial Funding Model

The current provincial funding model provides funding based on occupancy, rather than on actual operating and support costs to provide



services to homeless people. By adopting a new funding model to create greater flexibility and individualized supports to help shelter clients find and keep permanent housing, the shelter system will be returned to its original role of providing temporary emergency assistance.

The staff recommendations regarding changes to the provincial funding model are based on the report on Alternative Model for Emergency Shelter Funding prepared by Matrix Consulting as well as feedback from the consultations with shelter providers. The recommendations are attached to this report as Appendix I for approval by Council.

These recommendations are consistent with the action items detailed in Housing Opportunities Toronto, recently approved by Council.

In the Housing Opportunities Toronto Plan, City action items include:

- “Working with the Province to establish a permanent program using flexible shelter per diem funding to provide shelter clients with housing supports in the community similar to the Hostels to Homes pilot. (Recommendation 5 b), and
- “Working with the Province to implement a new funding model for shelters that supports a Housing First approach.” (Recommendation 5 c).

In approving Housing Opportunities Toronto, City Council requested the Provincial government to:

- implement a new funding model for shelters which supports a Housing First approach and provides flexibility in the use of shelter funding to establish a permanent program to provide shelter clients with housing supports in the community, similar to the Hostels to Homes pilot” (Recommendation 14).

Staff of Shelter, Support and Housing Administration met with the Assistant Deputy Minister of the Ministry of Community and Social Services (MCSS) and also with the staff of the MCSS Toronto Region Office to review the consultant’s report on the funding model and to brief them on the feedback received from community agencies.

d. Administrative Changes with Existing Authority

While staff continue to work with the Province regarding the development of a new funding model, there are a number of administrative steps that the City can take in the interim to further reduce the administrative burden associated with the existing per diem model. In 2008 the City established

an advanced payment process with 26 shelter providers that allowed agencies to receive 75 per cent of their monthly per diem funding for the coming month at the start of each month. The payment is then reconciled at the end of each month and the remaining per diem funding that is due to the agency is paid out.

This billing process has been extremely successful. Staff are now recommending that this advance payment system be piloted on a quarterly rather than monthly basis. This will provide participating agencies with predictable, up front payments and will reduce the number of wire transfers and cheques being issued by the city. Shelters rarely, if ever, go out of service unexpectedly so the risk to the City is minimal. Staff will work with Internal Audit to determine the eligibility guidelines for this program.

Staff are also recommending that the City pilot a multi year contract/ operating agreement that will reduce the administrative burden required for agencies who are meeting performance and quality assurance standards but that still recognize the City's requirement to set per diem rates annually. Hostel Services currently requires agencies to complete an annual funding submission, the preparation of which is time consuming for each agency and the review of which is time consuming for City staff. Requiring these once every two years will create administrative efficiencies that will allow City staff to focus greater attention on quality assurance activities. Hostel Services will work with Internal Audit and Legal Services to determine the possible options for implementation of this process.

## **CONTACT**

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## **SIGNATURE**

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## **ATTACHMENTS**

- APPENDIX A - 2010 Recommended Per Diem Rates, Bed Capacities and Personal Needs Allowances
- APPENDIX B - City of Toronto Shelter Profile Information
- APPENDIX C - 2008 vs. 2009 Occupancy Information
- APPENDIX D - Total Number of Unique Individuals Using the Shelter System From 2000-2008
- APPENDIX E - Summary of Annual Criteria for Per Diem Rate Recommendations
- APPENDIX F - 2009 vs. 2010 Purchase of Service Per Diem Budget
- APPENDIX G - 2009 In-Year Adjustments Report
- APPENDIX H - Other Service Contracts
- APPENDIX I - Recommendations Regarding the Funding Model for Emergency Shelters